

## 2. Reform of capitalism

### Deficiencies in the system – his analysis

Central to Henri Lambert's analysis, and at fault, is the privilege of limited liability. This extraordinary privilege of the capitalist system, widespread since the mid-19th century, was – moreover – accompanied by the privilege of the association of capital under forms of anonymity. The full expression of this huge double privilege, bearer shares and liability limited (to the sole original investment in the case of bankruptcy) is thus the direct or indirect source of the fundamental flaw of contemporary capitalism and consequently of almost all the evils, for which he provided the following lamentable nomenclature:

*"– a tremendous increase in predatory and parasitic activities, because of the excessive importance of **speculation** and manipulation at the expense of real work in the production of wealth; the growing tendency towards concentration of industrial and commercial interests and the centralisation of management; **the development of hegemonic monopoly by major financial institutions**, with, to put it at its mildest, their anti-individualistic training, paving the way for general nationalisation; the loss, in the face of these huge centralised entities, of local and regional banks, so useful for lending to small businesses, both agricultural and other; the gradual disappearance of careers in industry where people can profit from the unfolding of their own initiatives, talents and character;*



*– **the imbalance in the allocation of capital**, preferring companies likely to adopt the form of anonymity and take advantage of the bearer share, particularly in view of **stock market speculation**; the subsequent development, as excessive as it is harmful and artificial, of so-called "industrial" activities to the detriment of agricultural activities; insufficient development of agriculture in new countries, whose product provides the true foundation of economic and social life and should constitute the starting point, long the mainstay, of new societies and new civilisations; the rural emptying and depopulation of the countryside; the locating of a numerous industrial proletariat in large manufacturing cities generally in large urban centres, with all the evils and dangers they entail;*

*– **the spread of industrial and commercial monopolies** in the form of unions, cartels and trusts, organisations whose purpose and effect is to ensure, by various appropriate means, but always by the regulation of production, the artificial maintenance of prices and profits as high as possible (such organisations are favoured by their support of tariff protection); **the increasing cost of living**; inadequate participation of the working classes in the increasing amount of general wealth (N.B. whether as producer or consumer, the worker has a fundamental interest in free competition between entrepreneurs of industry and in freedom of trade both domestic and foreign, the two conditions essential to full expansion of economic activity, high wages and a good standard of living);*

*– **the excess profits of capital**, almost everywhere where it is invested; the **maldistribution of wealth**; the growing inequality of wealth situations; the mammonism, or rule of money, that is to say the enrichment, success and prestige, and social and political influence of the clever or*

"skillful"; the example, on their part, of **the contagion of easy gain**, the life of leisure, pleasure and extravagant **ostentatious luxury**; the continued decline of morality among the propertied classes and the disappearance of serious ideals in life, because of their lack of instruction and true education; the ever more pronounced incapacity of these classes to fulfil their leadership mission; their failure to exert decisive and beneficent, because enlightened, domestic and foreign policies on nations;

– **the neglected education of the lower classes**, which are mainly what they are made to be, and what the so-called "higher" classes may actually be; consequently, an ignorant universal suffrage, without compass and without control, that threaten Scylla and Charybdis;

– **the domination of national politics by a coalition of powerful private interests**, much more financial than industrial or commercial, in antagonism to the general interest (and in whose service is generally attached a press that is as despicable as it is influential); the unholy traffic in political influences; the politics "of business";

– that is to say, of special interests – and the social expedients that they necessarily engender: tariff protection laws, in favour of industry, and "social protection" laws, in favour of the workers, to compensate them from the spoiling privileges granted to businesses at the expense of everyone else. In other words: **the protectionism or socialism of the rich, and the socialism or protectionism of the poor**;

– colonialism combined with monopolist protectionism, which, piggybacking on each other, are the two main, if not exclusive, causes of **militarism and imperialism**, with their disastrous consequences in the present and their abominable threats overshadowing the future;

– the great squandering, by both governments and individuals, of **capital withdrawn from productive labour**, while the economy (consisting as it does of savings and the useful application of capital), should be ensuring constant growth in production, which is one of our first duties both public and private;

– current social perceptions among the working masses, as well as in many "intellectual" circles, oriented towards statism, communism or anarchic syndicalism, consequent on the anti-social and uneconomic outcomes of industrial and trade policies of "employer" authorities, and the domestic and foreign policies – equally detrimental to the general interest – followed by governments."



What a damning litany of accusations as to the misdeeds of those privileges! And none of it is any less true now, in the early 21<sup>st</sup> century, than it was in the early 20<sup>th</sup>. Nearly 30 years before the Great Depression of the 1930s and more than a century before the great recession that burst forth with the collapse of Lehman Brothers on 15 September 2008, followed by a systemic crisis of all financial systems, culminating in today's debt crisis in such states as Greece, Portugal, Ireland, Spain..., Henri Lambert identified a set of drifts and deviant behaviour that enjoyed free reign in society.

Everyone will understand that he has pointed the finger above all at the exorbitant privileges of limited liability in the association of capital, and those furthermore under anonymity. Of course, he recognised that this privilege was a way to "force" or hasten the development of certain industries, but it was at the expense of other industries; "because you cannot increase the totality of human activities or the common wealth of mankind by expedients. To do so only leads to displacements."